

## Fiscal Estimate - 2009 Session

☒ Original      ☐ Updated      ☐ Corrected      ☐ Supplemental

|   |  |
|---|--|
| <b>LRB Number</b> <b>09-3254/1</b>  | <b>Introduction Number</b> <b>SB-279</b> |
| <b>Description</b><br>Financial assistance related to bioenergy feedstocks, biorefineries, and conversion to biomass energy; the definition of the term agricultural use for the purpose of determining the assessed value of a parcel of land; requiring a strategic bioenergy feedstock assessment; creation of a bioenergy council; the agricultural and forestry diversification programs; biofuels training assessment; a study of regulatory burdens relating to biofuel production facilities; marketing orders and agreements for bioenergy feedstocks; exempting personal renewable fuel production and use from the motor vehicle fuel tax, the petroleum inspection fee, and business tax registration requirements; an income and franchise tax credit for installing or retrofitting pumps that mix motor vehicle fuels from separate storage tanks; offering gasoline that is not blended with ethanol to motor fuel dealers; state renewable motor vehicle fuels sales goals; required sales of renewable motor vehicle fuels; use of petroleum-based transportation fuels by state vehicles; use of alternative fuels in flex fuel vehicles owned by the state; use of public alternative fuel refueling facilities; duties of the Office of Energy Independence; granting rule-making authority; requiring the exercise of rule-making authority; making appropriations; and providing penalties   |  |
| <b>Fiscal Effect</b><br><br><b>State:</b><br><div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> No State Fiscal Effect<br/><input type="checkbox"/> Indeterminate<br/>    <input type="checkbox"/> Increase Existing Appropriations<br/>    <input type="checkbox"/> Decrease Existing Appropriations<br/>    <input checked="" type="checkbox"/> Create New Appropriations</div><div style="width: 33%;"><input checked="" type="checkbox"/> Increase Existing Revenues<br/><input type="checkbox"/> Decrease Existing Revenues</div><div style="width: 33%;"><input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget<br/>    <input type="checkbox"/> Yes      <input checked="" type="checkbox"/> No<br/><input type="checkbox"/> Decrease Costs</div></div><br><b>Local:</b><br><div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input checked="" type="checkbox"/> No Local Government Costs<br/><input type="checkbox"/> Indeterminate<br/>    1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue<br/>        <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory      <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory<br/>    2. <input type="checkbox"/> Decrease Costs      4. <input type="checkbox"/> Decrease Revenue<br/>        <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory      <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</div><div style="width: 33%;"><b>5. Types of Local Government Units Affected</b><br/><div style="display: flex; flex-wrap: wrap;"><div style="width: 50%;"><input type="checkbox"/> Towns      <input type="checkbox"/> Counties      <input type="checkbox"/> School Districts</div><div style="width: 50%;"><input type="checkbox"/> Village      <input type="checkbox"/> Others      <input type="checkbox"/> WTCS Districts</div><div style="width: 50%;"><input type="checkbox"/> Cities</div></div></div></div> |  |

**Fiscal Estimate Narratives**  
**DATCP 9/21/2009**

|   |           |                     |        |               |          |
|---|-----------|---------------------|--------|---------------|----------|
| LRB Number  | 09-3254/1 | Introduction Number | SB-279 | Estimate Type | Original |
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**Assumptions Used in Arriving at Fiscal Estimate**

Senate Bill 279 would create or modify provisions relating to support and promotion of biofuels and bioenergy use. Changes would impact DATCP programs in a number of responsibility areas:

**1. Agricultural Development and Diversification**

Under current law, DATCP is directed to make agricultural research and development grants to fund demonstration projects, feasibility analyses and applied research directed toward new or alternative technologies and practices that stimulate one or more of the following: creation of jobs in the agricultural industry; new capital investment and expansion; agricultural product market development and expansion; diversification and expansion of the production, processing and distribution of agricultural products; commercial application of new technologies or practices related to agricultural products; increased use of surplus agricultural products; improvement of the competitive position of this state's agricultural industry; or efficient use of farmland and other agricultural resources. This proposal would add products from the production of ag commodities, including alternative fuels, heat, electricity and marketable credits.

The proposal also would expand the scope of this grant program to include forestry research and development grants.

On average the program receives 90 applications a year and the internal logging and reviewing takes approximately 150 hours. This fiscal estimate assumes that these eligibility expansions would result in at least 50% more grant applications. The increased numbers and the addition of new project categories would require more review plus consultation with DNR, adding at least 100 hours of DATCP staff time to the review process. The fiscal estimate is zero since these costs could be absorbed by existing staff. (Note: changes to appropriations 20.115 (4)(c) and (4)(r) are amendments to the appropriation definitions only)

**2. Market Orders**

DATCP is charged in chapter s. 96 with administering market orders and agreements for agricultural commodities which are defined as "any agricultural, horticultural (excepting floricultural), viticultural, vegetable, poultry, and livestock products produced in this state, including milk and milk products, bees and honey, or any class, variety or utilization thereof, either in their natural state or as processed by a producer for the purpose of marketing such product or by a processor, but not including timber and wood products." This bill would expand the definition of agricultural commodity as used in chapter 96 to include its use as a bioenergy feedstock, and would authorize the DATCP secretary to propose the issuance of a marketing order for bioenergy feedstocks.

The purpose of the marketing order program is to safeguard the public interest by addressing conditions that jeopardize the continued production of an adequate food supply. This bill would expand the purpose to include the production of adequate energy supplies.

This fiscal estimate assumes that bioenergy feedstock marketing order would be issued and that DATCP

would administer that order. It also assumes that workload for this order is similar to other marketing orders and that all day-to-day support activities could be completed by the existing staff person who is fully funded by assessments charged to the marketing order boards. Under the marketing order program, each market order board is assessed a portion of the full administrative costs. Therefore, any additions to program costs for additional supplies, etc. would be covered by the assessment. So the fiscal effect for the purposes of this estimate is zero.

The addition of a new marketing order would require promulgation of a new administrative rule and amendment of the general program rule. It is estimated this would require 800 hours of staff work by program and legal staff on a one-time basis over a one year period. Under the terms of the market order statutes, the industry seeking the market order pays all the department's costs of developing the rule. Costs are estimated at \$48,000 (800 hours x staff average of \$60.00/hour salary and fringe). These costs could not be absorbed and would be paid by the bioenergy feedstock market order board.

### 3. Bioenergy Council

This proposal would create a secretary-appointed council to identify voluntary best management practices for biomass and biofuels production and report at least biennially to agencies and private parties that assist biofuel producers. This fiscal estimate assumes that the council will be attached to the DATCP Office of the Secretary and will be staffed by an expert in biofuels/biomass to provide the direction and support required. This expertise does not currently exist at DATCP so this fiscal estimate assumes that 1.0 FTE Special Initiatives Advisor-Admin would be hired to provide staffing for this council and its responsibilities. Salary and fringe costs plus support costs associated with an additional employee (computer, rent, etc.) are estimated at \$105,000 GPR (\$44.00 salary and fringe x 2080 hours = approximately \$92,000 and \$13,000 for admin/support costs). Support costs for the council are estimated at \$5,000 GPR annually (\$2,500 annually for food and miscellaneous, \$5,000 biennially for report publication costs), bringing total costs to \$110,000 GPR annually. These costs could not be absorbed.

### 4. Motor fuel dealership grantor requirements.

Under current law, persons who grant a motor fuel dealership are required to include certain survivorship rights in the franchise agreement and are prohibited from requiring dealers to keep the business open for more than 16 hours per day. This bill would additionally require grantors (that provide gasoline to dealers) to offer gasoline that is not blended with ethanol but is suitable for subsequent blending with ethanol. Further, this bill prohibits grantors from requiring that the dealer purchase ethanol for blending purposes from the grantor.

DATCP's fiscal estimate assumes that the fiscal effect of this section will be zero. While the provision is in a chapter of the statutes that generally fall under DATCP's authority, DATCP does not anticipate much investigative or enforcement activity in this area. The bill does not appear to have any penalty provisions attached to these new requirements.

### 5. Annual Report on state renewable fuel goals.

This bill would require DATCP to prepare an annual report on renewable fuel sales in the state, and determine whether or not those sales met goals established in the bill. If sales did not meet the goals, DATCP must provide an assessment as to why sales did not meet the goals. The bill contains specific topics that must be addressed in the assessment: a determination of supply, demand, and prices, a determination of whether state or federal laws prevent or impede sale of renewable fuels, a determination of whether requiring the sale of renewable fuels by administrative rule would likely result in meeting the sales goals. If DATCP's assessment concludes that requiring the sale of renewable fuels by administrative rule would likely result in meeting the sales goals; DATCP must then promulgate rules doing just that.

DATCP estimates that annual cost for preparing this report would be about \$18,200 GPR. \$13,200 of this is for roughly 300 hours of employee time spent researching, drafting, and finalizing the report (approximately .14 FTE equivalent). We are assuming that the weighted-average cost per hour (salary plus fringe) for the employees who would work on the report would be around \$44.00 per hour. [\$44.00 X 300 hours = \$13,200]. The additional \$5,000 is to purchase specialized supplies & services for use in preparing the report, particularly, the purchase of data from fuel pricing and supply services. These costs could not be absorbed.

Should DATCP need to promulgate administrative rules pursuant to this bill, the rulemaking required would be somewhat technical. We estimate that it would take about 1.0 FTE about one year to research potential rule provisions, hold hearings, draft the rule (and supporting documents), and other rulemaking tasks. Many of these tasks would need to be performed by medium to high-level employees with good technical knowledge of economic, legal, and fuel distribution systems. Therefore, we estimate that the one-time cost for implementing the administrative rule would be about \$75,000 GPR. This workload could not be absorbed

by existing staff.

Should such an administrative rule become effective, the annual costs to administer it could be significant. However, the bill creates a program revenue appropriation and allows DATCP to incorporate fees for administration and enforcement of the rule. The bill provides no parameters for the development of the rule and the fee, but leaves these to the department's discretion. Therefore, since the details of a possible future rule and fee structure are unknown, a valid estimate of associated costs and revenue cannot readily be made for the purposes of this fiscal estimate.

#### 6. Definition of Agricultural Use

This proposal would change the definition of agricultural use of land, as defined by DOR by rule, to include the growing of short rotation woody crops, including poplars and willows, using agronomic practices. Adding short rotation woody crops to the definition of agricultural use of land should not significantly impact programs within DATCP's Land and Water Resources Bureau, including the Working Lands Initiative.

For the purposes of the Farmland Preservation Program (FPP), the definition of agricultural use already includes growing Christmas trees and forestry. The FPP tax credit program was recently modified and there is an annual statutory limit of just over \$27 million for the total FPP tax credit. If the addition of short rotation woody crops to the definition of agricultural use of land results in a significant number of new farmers claiming the credit, this could trigger the statutory pro-ration of the FPP tax credit.

#### 7. Local Government Effects

No local government fiscal effect would result related to DATCP-specific programs.

### **Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

☒ Original
 ☐ Updated
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|   |  |
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| <b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b><br><br>1. Staff costs to develop administrative rules for renewable fuels goal program = \$75,000 GPR 2. Legal and program staff costs to develop and administrative rule for a biofuels feedstock market order = \$48,000 PR - reimbursed by biofuels feedstock market order board   |  |
| <b>II. Annualized Costs:</b>  | <b>Annualized Fiscal Impact on funds from:</b> |
|   | Increased Costs      Decreased Costs           |
| <b>A. State Costs by Category</b>   |  |
| State Operations - Salaries and Fringes   | \$105,200                                      |
| (FTE Position Changes)  | (1.1 FTE)                                      |
| State Operations - Other Costs  | 23,000   |
| Local Assistance  |  |
| Aids to Individuals or Organizations  |  |
| <b>TOTAL State Costs by Category</b>  | <b>\$128,200</b>                               |
| <b>B. State Costs by Source of Funds</b>  |  |
| GPR   | 128,200  |
| FED   |  |
| PRO/PRS   |  |
| SEG/SEG-S   |  |
| <b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>  |  |
|   | Increased Rev      Decreased Rev               |
| GPR Taxes   | \$   |
| GPR Earned  |  |
| FED   |  |
| PRO/PRS   |  |
| SEG/SEG-S   |  |
| <b>TOTAL State Revenues</b>   | <b>\$</b>                                      |

**NET ANNUALIZED FISCAL IMPACT**

|  | <u>State</u>                | <u>Local</u> |
|--|-----------------------------|--------------|
| NET CHANGE IN COSTS                              | \$128,200                   | \$           |
| NET CHANGE IN REVENUE                            | \$                          | \$           |
|  |                             |              |
| <b>Agency/Prepared By</b>                        | <b>Authorized Signature</b> | <b>Date</b>  |
| DATCP/ Linda Merriman Hitchman (608)<br>224-5132 | Bill Walker (608) 224-4353  | 9/21/2009    |

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| <b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b><br><input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.370 (1)(mv)  |   |                              |
| <b>Agency/Prepared By</b><br><br>DNR/ Joe Polasek (608) 266-2794  | <b>Authorized Signature</b><br><br>Joe Polasek (608) 266-2794 | <b>Date</b><br><br>3/30/2010 |

## Fiscal Estimate Narratives

DNR 3/30/2010

|   |           |                     |        |               |          |
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### Assumptions Used in Arriving at Fiscal Estimate

The bill directs the Department to assist DATCP and the University of Wisconsin-Extension with the promotion, development and use of forestry products that are used to produce alternative fuels, heat or electricity. In addition, the bill expands DATCP's agricultural research and development grant program to include forestry-related research and development and requires DATCP to consult with the Department when evaluating a forestry-related grant application.

#### Assumptions

Work comparable to that described in the bill regarding the promotion, development and use of forestry products for fuel is already being performed by the Division of Forestry through the utilization and marketing program; therefore, this section of the bill has no fiscal impact.

The Division of Forestry will need to reallocate approximately 40 hours of staff time per year to assist DATCP with reviewing and evaluating forestry-related grant applications.

### Long-Range Fiscal Implications



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Detailed Estimate of Annual Fiscal Effect

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|   |  |                 |
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| <b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b><br><br>   |  |                 |
| <b>II. Annualized Costs:</b>  | <b>Annualized Fiscal Impact on funds from:</b> |                 |
|   | Increased Costs                                | Decreased Costs |
| <b>A. State Costs by Category</b>   |  |                 |
| State Operations - Salaries and Fringes   | \$   | \$              |
| (FTE Position Changes)  |  |                 |
| State Operations - Other Costs  |  |                 |
| Local Assistance  |  |                 |
| Aids to Individuals or Organizations  |  |                 |
| <b>TOTAL State Costs by Category</b>  | <b>\$</b>                                      | <b>\$</b>       |
| <b>B. State Costs by Source of Funds</b>  |  |                 |
| GPR   |  |                 |
| FED   |  |                 |
| PRO/PRS   |  |                 |
| SEG/SEG-S   |  |                 |
| <b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>  |  |                 |
|   | Increased Rev                                  | Decreased Rev   |
| GPR Taxes   | \$   | \$              |
| GPR Earned  |  |                 |
| FED   |  |                 |
| PRO/PRS   |  |                 |
| SEG/SEG-S   |  |                 |
| <b>TOTAL State Revenues</b>   | <b>\$</b>                                      | <b>\$</b>       |
| <b>NET ANNUALIZED FISCAL IMPACT</b>   |  |                 |
|   | State  | Local           |

|                                 |                             |             |
|---------------------------------|-----------------------------|-------------|
| NET CHANGE IN COSTS             | \$                          | \$          |
| NET CHANGE IN REVENUE           | \$                          | \$          |
|                                 |                             |             |
| <b>Agency/Prepared By</b>       | <b>Authorized Signature</b> | <b>Date</b> |
| DNR/ Joe Polasek (608) 266-2794 | Joe Polasek (608) 266-2794  | 3/30/2010   |



## Fiscal Estimate Narratives

DOA 9/17/2009

|   |           |                     |        |               |          |
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### Assumptions Used in Arriving at Fiscal Estimate

SB-279 would require the Department of Administration (DOA) to take specific steps to reduce the use of gasoline and diesel fuel by state agencies. The mandated reductions and specific steps required conform to those in Executive Order #141 signed by the Governor in March 2006. The Director of DOA's Bureau of Enterprise Fleet Operations anticipates that the department will continue to work toward these goals as they have since 2006 with no additional costs beyond those already provided for in the 2009-11 biennial budget. Further, the Office of Energy Independence (OEI) will continue to work with the Bureau of Enterprise Fleet Operations to maintain and update its current plan to identify flex-fuel vehicles and the location of alternate fueling sites and encourage state employees to use those sites when possible. No additional funding will be required for this task.

SB-279 also requires the Office of Energy Independence to biennially conduct a strategic bioenergy feedstock assessment. The first such report is due April 30, 2013. According to the Office, the data required for the assessment is available, but from numerous sources. The Office anticipates that approximately \$25,000 would be required to fund either staff time and/or contract expenses for the preparation of each biennial report, or \$12,500 annually. This effort would include identifying the appropriate data, coordinating the data gathering process, analyzing the data, and developing and writing the report.

The Office of Energy Independence is also tasked with assisting the Biofuels Production Facility Regulatory Review Committee in the preparation of its report to the Governor and Legislature. The report is due 2 years after the effective date of the legislation. The Office estimates that this assistance will require a half-time position for the two-year period of the Committee's work. The estimated cost would be approximately \$35,000 annually, or \$70,000 over the two-year life of the Committee.

Finally, the Office estimates that the modifications to its existing goals and duties can be absorbed within current resource and staffing authorizations.

### Long-Range Fiscal Implications

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| <b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b><br><br>\$70,000   |  |                 |
| <b>II. Annualized Costs:</b>  | <b>Annualized Fiscal Impact on funds from:</b> |                 |
|   | Increased Costs                                | Decreased Costs |
| <b>A. State Costs by Category</b>   |  |                 |
| State Operations - Salaries and Fringes   | \$   | \$              |
| (FTE Position Changes)  |  |                 |
| State Operations - Other Costs  | 12,500   |                 |
| Local Assistance  |  |                 |
| Aids to Individuals or Organizations  |  |                 |
| <b>TOTAL State Costs by Category</b>  | <b>\$12,500</b>                                | <b>\$</b>       |
| <b>B. State Costs by Source of Funds</b>  |  |                 |
| GPR   |  |                 |
| FED   | 12,500   |                 |
| PRO/PRS   |  |                 |
| SEG/SEG-S   |  |                 |
| <b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>  |  |                 |
|   | Increased Rev                                  | Decreased Rev   |
| GPR Taxes   | \$   | \$              |
| GPR Earned  |  |                 |
| FED   |  |                 |
| PRO/PRS   |  |                 |
| SEG/SEG-S   |  |                 |
| <b>TOTAL State Revenues</b>   | <b>\$</b>                                      | <b>\$</b>       |
| <b>NET ANNUALIZED FISCAL IMPACT</b>   |  |                 |
|   | State  | Local           |

|                               |                              |             |
|-------------------------------|------------------------------|-------------|
| NET CHANGE IN COSTS           | \$12,500                     | \$          |
| NET CHANGE IN REVENUE         | \$                           | \$          |
|                               |                              |             |
| <b>Agency/Prepared By</b>     | <b>Authorized Signature</b>  | <b>Date</b> |
| DOA/ Pat Meier (608) 266-5877 | Martha Kerner (608) 266-1359 | 9/17/2009   |

## Fiscal Estimate - 2009 Session

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

|   |  |
|---|--|
| <b>LRB Number</b> <b>09-3254/1</b>  | <b>Introduction Number</b> <b>SB-279</b>                   |
| <b>Description</b><br>Financial assistance related to bioenergy feedstocks, biorefineries, and conversion to biomass energy; the definition of the term agricultural use for the purpose of determining the assessed value of a parcel of land; requiring a strategic bioenergy feedstock assessment; creation of a bioenergy council; the agricultural and forestry diversification programs; biofuels training assessment; a study of regulatory burdens relating to biofuel production facilities; marketing orders and agreements for bioenergy feedstocks; exempting personal renewable fuel production and use from the motor vehicle fuel tax, the petroleum inspection fee, and business tax registration requirements; an income and franchise tax credit for installing or retrofitting pumps that mix motor vehicle fuels from separate storage tanks; offering gasoline that is not blended with ethanol to motor fuel dealers; state renewable motor vehicle fuels sales goals; required sales of renewable motor vehicle fuels; use of petroleum-based transportation fuels by state vehicles; use of alternative fuels in flex fuel vehicles owned by the state; use of public alternative fuel refueling facilities; duties of the Office of Energy Independence; granting rule-making authority; requiring the exercise of rule-making authority; making appropriations; and providing penalties   |  |
| <b>Fiscal Effect</b><br><br><b>State:</b><br><div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> No State Fiscal Effect<br/> <input type="checkbox"/> Indeterminate<br/>                     <input type="checkbox"/> Increase Existing Appropriations<br/>                     <input type="checkbox"/> Decrease Existing Appropriations<br/>                     <input type="checkbox"/> Create New Appropriations                 </div> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Revenues<br/> <input checked="" type="checkbox"/> Decrease Existing Revenues                 </div> <div style="width: 35%;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget<br/>                     <input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No<br/> <input type="checkbox"/> Decrease Costs                 </div> </div><br><b>Local:</b><br><div style="display: flex; justify-content: space-between;"> <div style="width: 60%;"> <input type="checkbox"/> No Local Government Costs<br/> <input checked="" type="checkbox"/> Indeterminate<br/> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;">                     1. <input type="checkbox"/> Increase Costs<br/>                         <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory<br/>                     2. <input type="checkbox"/> Decrease Costs<br/>                         <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                 </div> <div style="width: 45%;">                     3. <input type="checkbox"/> Increase Revenue<br/>                         <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory<br/>                     4. <input type="checkbox"/> Decrease Revenue<br/>                         <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                 </div> </div> </div> <div style="width: 35%;"> <b>5. Types of Local Government Units Affected</b><br/> <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input checked="" type="checkbox"/> Towns<br/> <input checked="" type="checkbox"/> Counties<br/> <input checked="" type="checkbox"/> School Districts                 </div> <div style="width: 30%;"> <input checked="" type="checkbox"/> Village<br/> <input checked="" type="checkbox"/> Others<br/> <input checked="" type="checkbox"/> WTCS Districts                 </div> <div style="width: 35%;"> <input checked="" type="checkbox"/> Cities<br/> <input checked="" type="checkbox"/> lake, sanitary, metro sewer<br/> </div> </div> </div> </div> |  |
| <div style="display: flex; justify-content: space-between;"> <div style="width: 50%;"> <b>Fund Sources Affected</b><br/> <input type="checkbox"/> GPR   <input type="checkbox"/> FED   <input type="checkbox"/> PRO   <input type="checkbox"/> PRS   <input type="checkbox"/> SEG   <input type="checkbox"/> SEGS                 </div> <div style="width: 45%;"> <b>Affected Ch. 20 Appropriations</b> </div> </div>  |  |
| <b>Agency/Prepared By</b><br>DOR/ Daniel Huegel (608) 266-5705  | <b>Authorized Signature</b><br>Paul Ziegler (608) 266-5773 |
| <b>Date</b><br>9/21/2009  |  |

## Fiscal Estimate Narratives

DOR 9/21/2009

|   |           |                     |        |               |          |
|---|-----------|---------------------|--------|---------------|----------|
| LRB Number  | 09-3254/1 | Introduction Number | SB-279 | Estimate Type | Original |
| <b>Description</b><br>Financial assistance related to bioenergy feedstocks, biorefineries, and conversion to biomass energy; the definition of the term agricultural use for the purpose of determining the assessed value of a parcel of land; requiring a strategic bioenergy feedstock assessment; creation of a bioenergy council; the agricultural and forestry diversification programs; biofuels training assessment; a study of regulatory burdens relating to biofuel production facilities; marketing orders and agreements for bioenergy feedstocks; exempting personal renewable fuel production and use from the motor vehicle fuel tax, the petroleum inspection fee, and business tax registration requirements; an income and franchise tax credit for installing or retrofitting pumps that mix motor vehicle fuels from separate storage tanks; offering gasoline that is not blended with ethanol to motor fuel dealers; state renewable motor vehicle fuels sales goals; required sales of renewable motor vehicle fuels; use of petroleum-based transportation fuels by state vehicles; use of alternative fuels in flex fuel vehicles owned by the state; use of public alternative fuel refueling facilities; duties of the Office of Energy Independence; granting rule-making authority; requiring the exercise of rule-making authority; making appropriations; and providing penalties |           |                     |        |               |          |

### Assumptions Used in Arriving at Fiscal Estimate

#### PROPERTY TAXES

Under current law, Department of Revenue (DOR) defines, by rule, what constitutes "agricultural use" for determining which land can be valued at agricultural use value under the agricultural use value statute. The DOR rule specifically excludes growing short rotation (a growing and harvesting cycle of 10 years or less) woody trees from the definition of agricultural use. As a result, land used to grow short rotation woody trees is generally classified as either forest land (subject to assessment at full market value) or agricultural forest land (subject to assessment at 50% of market value).

Under the bill, beginning with the January 1, 2011 assessment, the definition of "agricultural use" would be amended to include the growing of woody trees under "agronomic practices" (practices generally associated with crop production).

The law change could increase the number of acres qualifying for agricultural use value assessment. The statewide average taxable value per acre and net property tax per acre for the 2008/09 property tax year were as follows: for agricultural land, \$187 and \$3.13; for agricultural forest land, \$1,327 and \$18.56; and for forest land, \$2,247 and \$29.04. Thus, if land is reclassified to agricultural from agricultural forest or forest, property taxes will be shifted from the reclassified property to all other property owners. The DOR does not have data to reasonably estimate the acreage that could be reclassified under the bill, and therefore is unable to reasonably estimate the shift in property taxes the bill could engender. In addition, the state forestation property tax, currently imposed at a rate of about \$0.17 per \$1,000 of full taxable value, would also decline by an unknown amount.

The DOR would incur one-time costs to revise its assessment manual and to change the administrative rule (Tax 18) on agricultural use value. These costs can be absorbed within current resources.

#### INCOME TAXES

The bill affects individual income taxes, corporate income taxes and insurance company taxes.

Under current law, an "ethanol and biodiesel fuel pump" income tax credit is available for persons or entities that have installed or retrofitted equipment for dispensing motor vehicle fuel to end-users that dispense fuel consisting of at least 85 percent ethanol or at least 20 percent biodiesel fuel. The credit is 25 percent of the cost to installing or retrofitting such equipment, with a maximum credit of \$5,000 per service station at which such equipment was installed or retrofitted. The credit is available for taxable years beginning after December 31, 2007, and before January 1, 2018.

Under the bill, the definition of fuel pumps that would be eligible for the ethanol and biodiesel fuel pump credit is expanded to include equipment that blends fuels at the pump. It is not anticipated that this



modification will result in a significant increase in the number of eligible pumps being installed relative to current law. Therefore, the fiscal effect resulting from the change is expected to be minimal.

## **FUEL TAXES**

Under current law, the state imposes an excise tax on motor fuel of \$0.309 per gallon and a petroleum inspection fee of \$0.020 per gallon. Fuel dealers are required to obtain a business tax registration with the DOR for which there is an initial fee of \$20 and a renewal fee (due every 2 years) of \$10.

Under the bill, the first 1,000 gallons of renewable fuel produced by a person each year and used in his or her personal motor vehicle is exempt from the motor vehicle fuel excise tax, the petroleum inspection fee, and any petroleum inspection requirements not required by federal law, as long as that person does not sell any of the fuel. Such person would also be permitted to operate without obtaining a business tax registration certificate.

The DOR is unable to reasonably estimate the number of people who will choose to produce their own renewable fuels or the amount of fuel such people will produce. As a result, it is not possible to reasonably estimate the decrease in motor fuel taxes, petroleum inspection fees, or business tax registration fees that this bill would engender. Given the 1,000 gallon cap on the exemptions, the maximum motor fuel tax and petroleum inspection fee reductions for any one person would be \$329 per year (1,000 X (\$0.309 + \$0.020)).

With an effective date of the first day of the third month beginning after publication, the DOR would need to hire systems programmers to get the fuel tax systems converted in time. It will take about 1,100 hours to make these changes, two-thirds of which would be contractor time. Total costs would be \$55,000. If the effective date were moved to six months from the date of enactment, the work could be done internally and the costs absorbed.

## **Long-Range Fiscal Implications**

## Fiscal Estimate - 2009 Session

☒ Original      ☐ Updated      ☐ Corrected      ☐ Supplemental

|   |  |
|---|--|
| <b>LRB Number</b> <b>09-3254/1</b>  | <b>Introduction Number</b> <b>SB-279</b> |
| <b>Description</b><br>Financial assistance related to bioenergy feedstocks, biorefineries, and conversion to biomass energy; the definition of the term agricultural use for the purpose of determining the assessed value of a parcel of land; requiring a strategic bioenergy feedstock assessment; creation of a bioenergy council; the agricultural and forestry diversification programs; biofuels training assessment; a study of regulatory burdens relating to biofuel production facilities; marketing orders and agreements for bioenergy feedstocks; exempting personal renewable fuel production and use from the motor vehicle fuel tax, the petroleum inspection fee, and business tax registration requirements; an income and franchise tax credit for installing or retrofitting pumps that mix motor vehicle fuels from separate storage tanks; offering gasoline that is not blended with ethanol to motor fuel dealers; state renewable motor vehicle fuels sales goals; required sales of renewable motor vehicle fuels; use of petroleum-based transportation fuels by state vehicles; use of alternative fuels in flex fuel vehicles owned by the state; use of public alternative fuel refueling facilities; duties of the Office of Energy Independence; granting rule-making authority; requiring the exercise of rule-making authority; making appropriations; and providing penalties   |  |
| <b>Fiscal Effect</b><br><br><b>State:</b><br><div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> No State Fiscal Effect<br/><input checked="" type="checkbox"/> Indeterminate<br/>    <input type="checkbox"/> Increase Existing Appropriations<br/>    <input type="checkbox"/> Decrease Existing Appropriations<br/>    <input type="checkbox"/> Create New Appropriations</div><div style="width: 33%;"><input type="checkbox"/> Increase Existing Revenues<br/><input checked="" type="checkbox"/> Decrease Existing Revenues</div><div style="width: 33%;"><input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget<br/>                                    <input type="checkbox"/> Yes                      <input type="checkbox"/> No<br/><input type="checkbox"/> Decrease Costs</div></div><br><b>Local:</b><br><div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> No Local Government Costs<br/><input checked="" type="checkbox"/> Indeterminate<br/>    1. <input type="checkbox"/> Increase Costs                      3. <input type="checkbox"/> Increase Revenue<br/>        <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory              <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory<br/>    2. <input type="checkbox"/> Decrease Costs                      4. <input type="checkbox"/> Decrease Revenue<br/>        <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory              <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</div><div style="width: 33%;"><b>5. Types of Local Government Units Affected</b><br/><div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> Towns<br/><input type="checkbox"/> Counties<br/><input type="checkbox"/> School Districts</div><div style="width: 33%;"><input type="checkbox"/> Village<br/><input type="checkbox"/> Others<br/><input type="checkbox"/> WTCS Districts</div><div style="width: 33%;"><input type="checkbox"/> Cities</div></div></div></div> |  |

**Fund Sources Affected**  
☐ GPR   ☐ FED   ☐ PRO   ☐ PRS   ☒ SEG   ☐ SEGS

**Affected Ch. 20 Appropriations**

## Fiscal Estimate Narratives

DOT 9/22/2009

|   |           |                     |        |               |          |
|---|-----------|---------------------|--------|---------------|----------|
| LRB Number  | 09-3254/1 | Introduction Number | SB-279 | Estimate Type | Original |
| <b>Description</b><br>Financial assistance related to bioenergy feedstocks, biorefineries, and conversion to biomass energy; the definition of the term agricultural use for the purpose of determining the assessed value of a parcel of land; requiring a strategic bioenergy feedstock assessment; creation of a bioenergy council; the agricultural and forestry diversification programs; biofuels training assessment; a study of regulatory burdens relating to biofuel production facilities; marketing orders and agreements for bioenergy feedstocks; exempting personal renewable fuel production and use from the motor vehicle fuel tax, the petroleum inspection fee, and business tax registration requirements; an income and franchise tax credit for installing or retrofitting pumps that mix motor vehicle fuels from separate storage tanks; offering gasoline that is not blended with ethanol to motor fuel dealers; state renewable motor vehicle fuels sales goals; required sales of renewable motor vehicle fuels; use of petroleum-based transportation fuels by state vehicles; use of alternative fuels in flex fuel vehicles owned by the state; use of public alternative fuel refueling facilities; duties of the Office of Energy Independence; granting rule-making authority; requiring the exercise of rule-making authority; making appropriations; and providing penalties |           |                     |        |               |          |

### Assumptions Used in Arriving at Fiscal Estimate

This bill would exempt the first 1,000 gallons of renewable fuel produced by a person each year, that the person uses in his or her personal vehicle, from the motor vehicle fuel excise tax, the petroleum inspection fee, and petroleum inspection requirements not required by federal law.

Assuming an individual produced 1,000 of renewable fuel, at the current motor fuel excise tax rate of \$0.309 cents per gallon each qualified individual would be eligible for an exemption of \$309.00 per year. Exemption for the petroleum inspection fee (\$0.02) would result in an exemption totaling \$20.00 per year.

If 250 individuals were initially eligible for the maximum annual \$309.00 motor fuel excise tax exemption and the \$20.00 PECFA fee exemption, the loss to the state transportation fund would be \$77,250 and \$5,000 to the PECFA fund.

### Long-Range Fiscal Implications

## Fiscal Estimate - 2009 Session

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

|   |  |
|---|--|
| <b>LRB Number</b> <b>09-3254/1</b>  | <b>Introduction Number</b> <b>SB-279</b>                 |
| <b>Description</b><br>Financial assistance related to bioenergy feedstocks, biorefineries, and conversion to biomass energy; the definition of the term agricultural use for the purpose of determining the assessed value of a parcel of land; requiring a strategic bioenergy feedstock assessment; creation of a bioenergy council; the agricultural and forestry diversification programs; biofuels training assessment; a study of regulatory burdens relating to biofuel production facilities; marketing orders and agreements for bioenergy feedstocks; exempting personal renewable fuel production and use from the motor vehicle fuel tax, the petroleum inspection fee, and business tax registration requirements; an income and franchise tax credit for installing or retrofitting pumps that mix motor vehicle fuels from separate storage tanks; offering gasoline that is not blended with ethanol to motor fuel dealers; state renewable motor vehicle fuels sales goals; required sales of renewable motor vehicle fuels; use of petroleum-based transportation fuels by state vehicles; use of alternative fuels in flex fuel vehicles owned by the state; use of public alternative fuel refueling facilities; duties of the Office of Energy Independence; granting rule-making authority; requiring the exercise of rule-making authority; making appropriations; and providing penalties   |  |
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| <div style="display: flex; justify-content: space-between;"> <div style="width: 50%;"> <b>Fund Sources Affected</b><br/> <input type="checkbox"/> GPR   <input type="checkbox"/> FED   <input type="checkbox"/> PRO   <input type="checkbox"/> PRS   <input type="checkbox"/> SEG   <input type="checkbox"/> SEGS                     </div> <div style="width: 45%;"> <b>Affected Ch. 20 Appropriations</b> </div> </div>  |  |
| <b>Agency/Prepared By</b><br>PSC/ Sarah Klein (608) 266-3587  | <b>Authorized Signature</b><br>Nate Zolik (608) 266-1261 |
| <b>Date</b><br>9/11/2009  |  |

## Fiscal Estimate Narratives

PSC 9/11/2009

|   |           |                     |        |               |          |
|---|-----------|---------------------|--------|---------------|----------|
| LRB Number  | 09-3254/1 | Introduction Number | SB-279 | Estimate Type | Original |
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### Assumptions Used in Arriving at Fiscal Estimate

This bill has no fiscal effect for the Public Service Commission.

### Long-Range Fiscal Implications



## Fiscal Estimate Narratives

UWS 9/11/2009

|   |           |                     |        |               |          |
|---|-----------|---------------------|--------|---------------|----------|
| LRB Number  | 09-3254/1 | Introduction Number | SB-279 | Estimate Type | Original |
| <b>Description</b>  |           |                     |        |               |          |
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### Assumptions Used in Arriving at Fiscal Estimate

The UW System may experience some increased fuel costs due to this bill. However there is not enough information available at this time to estimate the amount of the increase.

### Long-Range Fiscal Implications